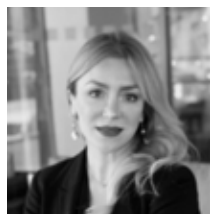




Mexico Update



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Sales of Canadian Beef

Mexico's accumulated Jan-Feb '22 beef production grew by 2.4% to 334,100 MT while beef imports fell to 26,370 MT, 16% lower compared to same period 2021. Overall beef imports in February increased 9% from January to 13,700 MT. Annual beef consumption reached 172,500 MT in Feb, decreasing 4.5% YOY. Per capita consumption remained at 1.2 kgs/month. Accumulated Canadian export volumes for the first 2 months of 2022 were up 6% from 2021 to 4,450 MT valued at \$41.1 million CAD an increase of 40% compared to 2021. Imported volumes remained steady, with a slight variation in growth from 2,100 MT in Jan to 2,270 MT in Feb. The demand for Cdn beef in the retail sector continues to grow despite the rise in imported and domestic beef prices. The average imported beef price increased 32% from a year ago to \$9.23 CAD. Nonetheless import prices for Canadian beef were down an average of 11% in Feb, driving an increase in sales for cuts such as brisket (20% lower price), chuck (21%) and rounds (9%).

Retail Sector

During the first half of March '22, the value of domestic beef per kg. to consumers rose by \$26MXP (\$1.64 CAD), going from \$145.4 MXP/kg (\$9.19 CAD) in Mar '2021 to \$171.7 MXP/kg (\$10.85 CAD), reflecting an annual increase of 18.3%. The increase in beef prices is the result of the high inflation rate which remains at historical levels and the effects of the Russia-Ukraine war, which has triggered grain prices to increase by 27% and threatens to reduce domestic meat production. In contrast, domestic pork prices have dropped considerably due to the strong growth in imports, leading to a 19% YOY increase in consumption in February '22. March retail prices for domestic beef cuts averaged CAD\$9.83/kg for ground beef, CAD\$ 12.46/kg round, CAD\$ 13.62/kg sirloin, CAD\$12.13/kg chuck and CAD\$29.46/kg for tenderloin.

Food Service Sector

After a disruptive two years, the hospitality industry in Mexico is re-emerging with a strong yet cautious outlook. Hotel brands are booming in tourist destinations with numerous new properties expected to open this year. Consumption in restaurants has shown a constant growth trend. Consumers have regained confidence in dining

Economic Indicators for Mexico			
Indicator	Change	Last 3 Mth	Prev 3 Mth
Consumer Confidence	-1.0	43.60	44.63
Business Confidence	-0.5	51.90	52.43
Currency (PESO = 1US\$)	-2 %	20.30	20.81
Inflation (%)	0.3	7.27	6.99
Interest Rates (%)	1	6.50	6.00
Stock Market (MEXBOL)	4 %	53712	51401

out but are still following COVID protocols in indoor establishments. It is estimated that in 2022, Mexicans will increase their visits to restaurants by at least 34%. International tourists arrivals to Mexico in 2022 is expected to reach 36.7 million travelers, representing a foreign income of US\$23.8 billion dollars and an increase of 19.5% compared to 2021. In Cancun, at least six new restaurants from well known food service chains opened their doors in March with an investment of 75 million US dollars, helping to further support the economic recovery of the food service sector in the country.

Import/Distribution

Mexico is the twelfth largest producer of food in the world, but it is not self-sufficient in basic food products. As 61% of the raw materials required for the meat value chain are imported, there is concern from the sector that the industry may face contractions due to increases in production costs. Mexico imports 17% of animal proteins required to supply its domestic demand. In February '22 beef and variety import volumes from the U.S. were down 9.8% to 14,148 MT compared to the previous year, while value rose 12.7% to US\$84.8 million. U.S. muscle cuts volume in Feb 2022 accounted for 7,331 mt and beef variety meats totaled 6,817 mt. U.S muscle cuts exported to Mexico represented a decline in volume of 28% YTD compared to 2021, while offals grew 2% in volume and 7% in value for the same period. As of March 31st, Canadian beef products are eligible for export to Brazil, after a 19-year import ban in place since May 2003.